



BKM Capital Partners

Strategic Focus and Resilience

THE ADVANTAGES OF A GEOGRAPHIC & OPERATIONAL APPROACH



BKM INTEL | THOUGHT LEADERSHIP SERIES

INTRODUCTION

Our focus is on the diversity and robustness of economic drivers and the underlying fundamentals that signal a region's potential. When selecting markets for investment, one must look beyond oversimplistic geographical distinctions like East Coast versus West Coast. BKM is committed to investing exclusively in Tier 1 cities, recognized for their dynamic growth sectors that consistently drive demand for real estate.

Our strategic approach is rooted in identifying regions that not only offer a diverse economic base but also demonstrate resilience and potential for growth. This geographic diversity enables BKM to leverage regional growth trends effectively, ensuring that property demand remains robust even in fluctuating economic climates. By focusing on desirable markets characterized by constrained supply and favorable growth conditions, we position our investments to benefit from both immediate returns and long-term capital appreciation.

By maintaining a diversified portfolio across these dynamic regions, BKM ensures that its investments are safeguarded against localized economic downturns and positioned to capitalize on the unique opportunities that each area offers. This approach underscores our belief that the true value of an investment lies in the underlying economic strength and diversity of the region, rather than its geographic label.



ECONOMIC RESILIENCE ACROSS DIVERSE REGIONS

BKM strategically operates across Arizona, California, Colorado, Oregon, Nevada, Texas, and Washington. This selection is grounded in a deep analysis of each region’s economic and growth drivers. **These seven states represent a third of the U.S. population and the headquarters of nearly half of the top 100 market cap companies, representing a significant portion of technology, e-commerce, and service industries in these regions.**

BKM States	% of US Population	% of Top 50 Companies	% of Top 100 Companies
7	30%	54% (27 of 50)	44% (44 of 100)



Economic Influences on Multi-Tenant Light Industrial Properties

NORTHERN CALIFORNIA

- » **Tech and E-commerce:** California hosts major tech and e-commerce companies like Amazon, Apple, and Google that often require warehousing and distribution hubs near major urban centers. This drives demand for light industrial spaces.
- » **Financial Services and Fintech:** Institutions like Wells Fargo and numerous fintech startups influence the need for secure data processing and storage facilities. Light industrial properties are increasingly utilized for these purposes, accommodating the high-tech infrastructure needed for secure financial operations.

2

 Apple

3

 NVIDIA

4



SOUTHERN CALIFORNIA

- » **Manufacturing and Trade:** The Port of Los Angeles and companies like Tesla, which has manufacturing facilities in the area, ensure robust demand for light industrial spaces.
- » **Biotech and Healthcare:** Biotech giants like Illumina and numerous research institutions in the area boost demand for specialized industrial spaces.
- » **Entertainment and Fashion:** Entertainment leaders like Walt Disney and Universal Studios and fashion brands such as Guess? Inc. generate constant demand for distribution and storage facilities.

10

 TESLA

33



35



Company Ranking by Market Cap

ARIZONA

- » **Manufacturing and Technology:** Phoenix's growing manufacturing sector, particularly in electronics (Intel & TSMC) and aerospace (Honeywell), supports the need for light industrial spaces.
- » **Population Growth:** Arizona has experienced significant population growth, which drives demand for consumer goods, subsequently benefiting warehouses and light industrial spaces needed for distribution.



COLORADO

- » **Technology, Aerospace, and Biotechnology:** Denver's diverse economy is home to companies like Lockheed Martin in aerospace and biotech firms such as BioTechne, needing a variety of light industrial spaces for R&D, manufacturing, and distribution.
- » **Central Location:** Denver's geographical position makes it a strategic hub for distribution to both the West and Midwest, enhancing its appeal for logistics-focused light industrial properties.



NEVADA

- » **Technology and Innovation:** The growing tech sector in Las Vegas, spurred by companies like Zappos and startups incubated at the Downtown Project, is expanding the need for flexible industrial spaces suited for tech operations and creative industries.
- » **Manufacturing and Logistics:** Las Vegas' strategic location makes it ideal for manufacturing and logistics operations. Companies such as Amazon and Fanatics operate large distribution centers in the region to efficiently manage goods distribution across the Western United States.



OREGON

- » **Tech and Green Industries:** Companies like Intel and Vestas emphasize Portland's strength in technology and sustainability-focused businesses, ensuring demand for light industrial spaces from both sectors.
- » **Distribution & Light Manufacturing:** The city's growing urban landscape and diverse economic base make it an attractive market for distribution and light manufacturing, especially with its strategic location near major logistic routes, boasting companies such as Daimler Trucks and Precision Castparts.



TEXAS

- » **Energy Sector:** Energy giants like ExxonMobil and Chevron require extensive industrial space for equipment storage and operations. Additionally, the growing renewable energy sector (wind and solar) also contributes to this demand.
- » **Economic Boom and Urbanization:** Cities like Dallas, Austin, and Houston are expanding rapidly, increasing the need for light industrial properties to service urban and suburban areas.
- » **Telecom and IT:** Major telecom companies like AT&T and tech firms such as Texas Instruments enhance the need for data centers and related industrial facilities.



WASHINGTON

- » **Tech and E-commerce:** Home to Amazon and Microsoft, Seattle's booming tech and e-commerce sectors require extensive warehousing and distribution networks.
- » **Port and Trade Activities:** The city's status as a major seaport facilitates international trade, bolstering demand for light industrial properties to support logistics and distribution operations.



This geographic diversity allows BKM to leverage regional growth trends and sustain property demand even in fluctuating economic climates, ensuring stable investment returns.



Key Benefits of Economic Diversity for Light Industrial Properties

- » **Reduced Vacancy Rates:** Diverse economic drivers can stabilize demand for light industrial spaces, keeping vacancy rates low across various economic conditions.
- » **Flexible Use:** Multi-tenant light industrial properties are versatile, capable of serving warehouse, distribution, light manufacturing, and even small office uses, which can adapt to the needs of different industries.
- » **Scalability for Tenants:** These properties allow tenants to scale their operations up or down depending on economic conditions, which can attract a broader range of tenants and reduce turnover.
- » **Resilience to Economic Shifts:** Having a presence in multiple states with varied economies can cushion these properties against local recessions that might disproportionately affect single-tenant properties or those reliant on a specific industry.



Advantages of a Local, Hands-On Management Approach

BKM's heavy focus on operations is with the goal of growing NOI. Unlike macroeconomic events and the capital markets, BKM has the ability to impact property level performance. If cap rates expand because of capital market issues, its impact on valuation can be mitigated by the increase in NOI. Further, BKM's funds target properties that are priced below replacement cost, that have below market rents, and are in dense infill areas where the inherent value of the land creates downside protection. Finally, the strong cash flow that is created upon repositioning the assets allows the investors to realize their return during the hold period, not just at the exit, further reducing risk.

- » **Enhanced Operational Efficiency:** Our deep local knowledge allows for tailored management practices, better tenant relationships, and quick adaptation to regional market conditions.
- » **Strategic Asset Management:** By focusing on cities with strong economic fundamentals, we avoid the pitfalls of over-extension and maintain high standards of quality and efficiency.
- » **Risk Mitigation:** Our focused approach mitigates risks associated with broad geographic expansion, where the fragmented nature of the asset class and lack of local economies of scale can diminish returns.





The Risks of Over-Expansion

Expanding beyond our proven markets and management model could potentially dilute the strengths that define BKM Capital Partners. Historical examples within the industry show that firms extending their reach too broadly often face operational challenges and lack the understanding of:

- » **Lack of Local Market Insight:** Broadening the geographic scope risks losing the nuanced understanding of each market that our local teams possess.
- » **Increased Operational Complexity:** Managing properties over a larger area can introduce inefficiencies and coordination challenges that our current model deftly avoids.
- » **Economic and Regulatory Disparities:** Different states and cities can present varied economic cycles and regulatory environments, complicating management and strategic planning.

Submarket Presence is Key to Success

When examining the claims of light industrial operators who purport to manage properties across the entire United States, a closer analysis typically reveals a significant geographic concentration. Most of these operators are heavily focused on one coast—either East or West—with only about 10% of their operations extending beyond their primary regional focus. For instance, companies like Longpoint, Elion, NorthBridge, and Farropoint, while maintaining a national presence in their branding and strategy, actually concentrate the bulk of their operations and assets within specific regions.

CONCLUSION

BKM Capital Partners' strategy of intentional geographic diversification and local, hands-on management has not only proven successful but also prudent in the face of industry challenges. Our approach aligns with a vision that prioritizes sustainable growth, resilience, and operational excellence. As we move forward, we are committed to maintaining this focus, ensuring that we continue to provide superior returns and stability for our investors.



ABOUT THE AUTHOR

BKM Capital Partners was founded in 2013. Headquartered in Newport Beach, California, BKM Capital Partners is a leading real estate operator and fund manager specializing in the acquisition and improvement of value-add light industrial multi-tenant properties in major markets across the Western U.S. The firm has 13 offices and over 90 employees and continues to produce top quartile performance for its investors.

Please visit our website below for more information.

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LIGHT INDUSTRIAL FUNDAMENTALS



Properties less than 200,000 SF,
spaces under 50,000 SF



~80% industrial, ~20% office
buildout



Typically found in infill locations
with close proximity to city
centers



20-200 units, typically housing
manufacturing, distribution, and
e-commerce tenants



Typical WALT of 1-3 years